Purpose

To provide an overview of the Inventory Control policies and procedures of the State of Utah as established by the Director of Finance, Department of Finance (DAS-Finance), in accordance with Utah Code Annotated 1953, Section 63-56-9, as amended, and the State of Utah Procurement Rules and Regulations.

Policy

A. The DAS-Finance publishes and maintains policies and procedures that provide a systematic arrangement of information covering statewide Inventory Control policies and procedures.

B. Departments and agencies using the Inventory Control subsystem must comply with all inventory control policies and procedures established by DAS-Finance. The Director of Finance must approve in writing any departure from these policies and procedures.

Procedures

Transfer Method Overview UDOT 05E-2.1

Note: The following information outlines the Inventory Control policies and procedures for transferring inventory items from the warehouse to the point of issue, and also for moving inventory items from warehouse to warehouse.

A. The Transfer Method is used when an item will be transferred from one warehouse to another. Either the Transfer Issue (TI) Process or the Transfer Request (TQ) Process can be used for obtaining material in this method.

1. **TI Process** - Used most effectively when material is to be transferred immediately. Works in conjunction with the Transfer Receipt Process.

2. **TQ Process** - Used most effectively when material is ordered in advance and back order servicing can be applied to the transfer. Works in conjunction with the Pick and Issue (PI) Process, the Transfer Issue (TI) Process, and the Transfer Receipt (TR) Process. (Note: For more information on Back Order Servicing, refer to the TQ Transaction Procedure.)

Transfer Request (TQ) UDOT 05E-2.2

Note: To describe the FI-NET policies and procedures for performing the Stock Transfer Request (TQ) Process, which is the vehicle used to transfer goods from one warehouse to another warehouse. The TQ process allows the consumer to request stock items for future use with no accounting consequences.

The verification and validation of the TQ Transactions will be performed at each warehouse. The Open Transfer Request (INTQ) Report will be produced weekly and distributed to each warehouse to assist in this effort. The report will reflect outstanding TQ Transactions that have no balancing Transfer Issue (TI) Transactions.

The TQ Transaction begins the transfer process by indicating a need for particular stock items by a requesting warehouse/consumer. A TQ Transaction is created through on-line data entry or through the Replenishment process. The Replenishment process generates a TQ Transaction which is posted on FI-NET. The TQ Transaction sets up the transaction ID number that will be used concurrently throughout the 3-step transfer process. If the requested quantity on the TQ is not available in the issuing warehouse, the TQ Transactions will process through Back-Order Servicing. The stock items continue to be valued and accounted for as a state asset on the FI-NET Inventory System but are transferred to another warehouse for storage and future use. The TQ Transaction is stored on the Suspense File (SUSF) Table until the Pick and Issue (PI) process prints the transaction on the issuing warehouse Pick and Issue (PI) Report.

Responsibility:

Consumer

Actions

1. Determine anticipated needs and the desired method to realize those needs. For those items not covered by the replenishment process, perform the steps as follows:

   a. Access/enter a Transfer Request (TQ) Transaction.

   b. If unable to access FI-NET, FAX, mail and/or hand carry a TQ form to the warehouse personnel.

Responsibility: Warehouse Personnel

2. Access/enter Transfer Request forms that are received through a FAX, mail or hand carried that have not been previously entered.

Back-Order Servicing
Back-order Servicing is performed by the system. Items requested on a Stock Requisition (DH) Transaction or TQ Transaction that are not available on FI-NET will post to the Open Stock Requisition Header (OSRH) Table with a status of "P" (partial) or "F" (full). When back order servicing is performed, partially filled requisitions are serviced before fully back ordered requisitions. Back ordered quantities are compared to the available quantities. If the available quantity is greater than zero, the back order is serviced. The records are posted to FI-NET and are stored until the PI process occurs.

3. Refer to the Pick and Issue (PI) Procedure.

Transfer Issue (TI) UDOT 05E-2.3

Note: To describe the inventory control policies and procedures for performing the Stock Transfer Issue (TI) Process. The TI can be used in two methods. 1- Represented on a Pick and Issue Ticket in response to a TQ Transfer Request Transaction as the second of a three-step process to allow a consumer to request that stock items be transferred from an issuing warehouse to a requesting warehouse and also provide the features offered through the Back-Order Servicing and the Pick and Issue Processes. The TI Transaction number will be assigned and represented on the Pick and Issue Ticket in conjunction with the TQ Transaction number. 2- The TI can be entered as the first step in a two-step process allowing the consumer the option of hand carrying a form to an issuing warehouse that will transfer stock items to the requestor warehouse to meet immediate needs. The TI Transaction number will be assigned by the issuing warehouse through auto doc numbering at the time the request is serviced. (If a TI Transaction is entered without a corresponding TQ Transaction, the Back Order and Pick and Issue Processes will not be performed.)

The verification and validation of the TI Transactions will be performed at each of the warehouses. An Open Transfer Issue (INTI) Report will be produced weekly and distributed to each warehouse to assist in this effort. The report will reflect outstanding TI Transactions that have no balancing Transfer Receipt (TR) Transactions.

The TI Transaction is entered by the issuing warehouse and becomes the validation of stock items disbursed. The header indicates the issuing and receiving warehouses, who the items were issued by, the issue date, and the expected delivery date. The item lines detail the stock item and quantity to be transferred. At the time the Transfer Issue (TI) Transaction is entered, the quantities for each line item on the transaction are moved from released to and in transfer status on the INVN table. There are no accounting lines on this transaction. Modifications can be made to the TI as long as items that have been reserved for transfers have not yet been fully received.

Responsibility:

Warehouse Personnel

Actions

1. Pick from the shelf the 'current issue' quantities that are represented on the Pick and Issue ticket. If there are differences between the shelf and the transaction, note the difference manually under the 'current issue' column of the Pick and Issue Ticket.

2. Prepare the items for pickup or delivery.

Responsibility: Consumer

3. Verify from the Pick and Issue Ticket that the quantity issued is the quantity that you are receiving. If there are discrepancies, have the issuing warehouse personnel note the changes manually on the Pick and Issue Ticket.

4. Sign and return the Pick and Issue Ticket to the issuing warehouse personnel. Exit the warehouse with the materials.

Responsibility: Inventory Control

5. Review the signed Pick and Issue ticket. Separate into two categories. 1- Stock Requisitions Transactions (DH) and 2- Transfer Requests Transactions (TQ).

Processing TQ Transactions:

1. Select the Transfer Requests Transactions (TQ). DH Transactions will be processed by using a CI Transaction (refer to Issue Confirmation (CI) Procedure).

2. Note the TQ Transaction number on the Pick and Issue.

3. Enter the TI Transaction ID number that is represented in the upper right-hand corner on the Pick and Issue Ticket. (Note: The TI transaction number is the same as the TQ transaction number except the prefix will be TI instead of TQ.)

4. Enter each line item and the “issue quantities” as they are represented on the Pick and Issue Ticket.

5. Manual changes made to "issue quantities" on the pick ticket due to a difference between shelf and book should be handled as follows.

   a. Access/enter the Inventory Adjustment (IA) Transaction to adjust the book quantities to match the shelf. (Refer to the IA policy section of this manual for information on how to enter an IA adjustment.)

   b. For those items requested but not currently available, complete and enter a DH for items to be expended when received or complete and input a TQ Transaction for those items to be transferred to another warehouse. Items ordered on a DH or TQ will be processed in the regular PI process.

Items requested on a DH or TQ Transaction that are not available on the Inventory Control system will post to the Open Stock Requisition Header Table (OSRH) with a status of "P" (partial) or "F" (full). Partially filled requisitions are serviced before fully back ordered requisitions. Back order quantities are compared to the available quantities. If the available quantity is greater than zero, the back order is serviced. The records are placed on reserve status and are stored on SUSF until the PI process occurs.

6. File Pick and Issue Tickets that have been input into a daily folder for report verification and future reference.

Stock Transfer Receipt (TR) UDOT 05E-2.4

Note: To describe the Inventory Control policies and procedures for performing the Stock Transfer Receipt (TR) Process. The TR completes the transfer of items from one warehouse to another.

Each receiving warehouse reconciles the TR Transaction to the TQ, TI Transactions and resolves any discrepancies. If all line items on the TQ, TI Transactions are to be received in full then the receiving warehouse is able to enter "received by" and "date," mark the "yes" radio button under the "all qty OK" field to process the TR Transaction and complete the transfer process. If all quantities were not received, the receiving warehouse will enter each line item and the actual quantity received.

The TR Transaction completes the transfer process by recording the actual quantity received at the receiving warehouse. It is at this point that the accounting entries are made and the quantity's in transfer are recorded at the receiving warehouse. Because there is no referenced transaction field, the TR Transaction ID must be the same as the Transfer Issue (TI) Transaction entered by the issuing warehouse. The header section of the transaction indicates the issuing and receiving warehouses, the date of receipt, who the goods were received by, and whether the whole receipt can be processed as requested.

Responsibility: Receiving Warehouse

Actions

1. Sign and receive a copy of the Pick and Issue (PI) for items received.

2. Transport items to the receiving warehouse.

3. Verify the quantities physically received against the recorded quantities reflected under the "current issue" column of the Pick and Issue.

4. Note any discrepancies.

Responsibility: Issuing Warehouse

5. Process the TI Transaction (refer to the TI Procedure policy section of this manual.)

Responsibility: Consumer

6. Access the TR Transaction screen. (NOTE: If the consumer is unable to access FI-NET, the issuing warehouse should be notified to input the TR Transaction.)

7. Enter the TR Transaction ID number. This transaction ID must be the same as the Transfer Issue (TI) Transaction ID number. Refer to the copy of the Pick and Issue Ticket for the number.

8. Input each line item and the associated quantities from the copy of the Pick and Issue Ticket to the TR Transaction screen.

    a. If all of the items listed on the Pick and Issue Ticket was received in full, enter whom the goods were received by, the date, and select the "All Qty. OK" radio button.

    b. If all items were not received, enter each line item number and the actual quantities received.

9. Resolve any discrepancies with the issuing warehouse.

Responsibility: Issuing Warehouse Personnel

10. Access the TI Transaction that the receiving warehouse is concerned about. Refer to the receiver's Pick and Issue Ticket

11. Notify/negotiate with the receiving warehouse the action to be taken to balance the system with the shelf.

12. Modify the stock item/items in question. To modify an accepted TI, refer to the FI-NET Transaction Processing, Modifying Accepted Transactions Procedure.

Responsibility: Receiving Warehouse

13. File the Pick and Issue copy as it is completed.

Direct Charge Method Overview UDOT 05E-2.5

Note: To outline the Inventory Control policies and procedures for completing direct charge issues from the warehouse to the consumer.

A. This method is used when an item will be immediately expended. The Over the Counter (DE) Process or the Stock Requisition (DH) Process can be used for obtaining material in this method.

1. **DE Process** - This process is used most effectively when materials are needed immediately and no other transactions are required to occur. No back orders are created with this transaction.

2. **DH Process** - Used most effectively when material is ordered in advance, and back order servicing can be applied to the request. Works in conjunction with the Pick and Issue (PI) Process and the Issue Confirmation (CI) Process. For more information on Back Order Servicing, refer to the DH Transaction Process.

Over the Counter (DE) UDOT 05E-2.6

To describe the inventory control policies and procedures for performing the Over the Counter (DE) Process. Consumers use DE Transactions under the following conditions:

- When the product will be expended immediately.
- When consumers are unable to anticipate need.
- When there is insufficient time to order in advance using a DH Transaction.

The Over the Counter (DE) Transaction is used when items are needed immediately and there is not time to preplan needs and submit a Stock Requisition (DH) Transaction. Any line item on the Over the Counter (DE) Transaction where there is insufficient quantity available on FI-NET when the DE Transaction is processed, will not be serviced nor will the line items in question are submitted to the back order servicing feature of the system. Items not in stock will not be back-ordered. By using the DE Transaction, it is possible for the customer to obtain the item and bypass the picking, issuing and back ordering processes.

Responsibility: Consumer

Actions

1. Determine that the desired item meets the following criteria:
    - The material is needed immediately.
    - The material is available from the issuing warehouse. (This can be accomplished by reviewing the inventory master table for the issuing warehouse or by contacting and inquiring from the issuing warehouse personnel.)
2. Complete a DE Transaction form with the necessary commodity codes, accounting information, and signatures. Forward to the issuing warehouse.

Responsibility: Warehouse Personnel

3. Review the DE Transaction for complete information, and appropriate signature.

4. Enter the DE Transaction into FI-NET. An error message will signal if there is insufficient quantity available, per line item, to complete the order. (Note: For items not available, but required at a future date, complete and input a DH Transaction for those items to be expended when received, or a TQ Transaction for those items to be transferred to another warehouse. Refer to the DH or TQ Transaction Procedure for instructions on performing the required process.)

5. Pick items available, distribute to the consumer, and process the DE Transaction to "accepted" status.

Responsibility: Consumer

6. Sign the DE Transaction form signifying items requested were received

Responsibility: Warehouse Personnel

7. Send the DE Transaction form to Inventory Control for future reference.

Responsibility: Inventory Control

8. File the DE Transaction in the daily transaction file.

Stock Requisition (DH) UDOT 05E-2.7

Note: To describe the inventory control policies and procedures for performing the Stock Requisition (DH) Process. The DH Transaction is used to request anticipated needs for stock items from inventory. It is recorded in FI-NET as a preencumbrance.

DH Transactions will be used when the need for particular stock items has been anticipated in advance and the items are to be expended at the time received.

A DH Transaction allows the user to reserve quantities of requested stock items from a particular warehouse. Each line item that is not available from the issuing warehouse at the time of the request is submitted to the back-order servicing feature of the system and will be serviced once the stock at the issuing warehouse is replenished. Applicable agency, warehouse, stock detail ordering and accounting detail are incorporated in this transaction.

Responsibility: Consumer

Actions

1. Determine anticipated needs. Identify the required commodity code by accessing the Keyword (INK1, INK2, or INK3) Tables, or the Commodity (COMM, COMD, CLDE, COMC, etc.) Tables, or the Commodity Code Catalog.

2. Reserve/Request items using a DH Transaction. Enter the DH Transaction on FI-NET, or if unable to access FI-NET, complete a Stock Requisition form, sign, and submit to the issuing warehouse.

Responsibility: Warehouse Personnel

3. Input Stock Requisition forms into FI-NET that have not been previously entered.

4. The DH Transaction is processed through FI-NET and resides on the Suspense File (SUSF) Table until the Pick and Issue (PI) process occurs.

Back-Order Servicing
Back-Order Servicing is performed by the Inventory Control System.

a. Items requested on DH Transactions that are not available on the Inventory Control System will post to the Open Stock Requisition (OSRH) Table with a "Partial" or "Full" back-ordered status. Partially filled requisitions are serviced before fully back ordered requisitions. Back order quantities are compared to the available quantities. If the available quantity is greater than zero, the back order is serviced. The records are placed in reserved status and reside on SUSF until the PI process occurs.

Stock Confirmations (CI) UDOT 05E-2.8

Note: To describe the Inventory Control policies and procedures for retrieving and processing the Issue Confirmation (CI) Transaction. The updating of the CI Transaction confirms that the quantities of items represented on the Pick and Issue Ticket have been pulled from the shelf and issued to the customer.

The verification and validation of the CI Transactions will be performed at each warehouse. Region/District warehouse supervisors will be responsible for outstanding CI Transactions for the warehouse codes within their Region/District. Outstanding CI Transactions may be retrieved and updated through FI-NET's Suspense File (SUSF) Table.

An Issue Confirmation (CI) Transaction is system generated from a Stock Requisition (DH) Transaction during the Pick and Issue (PI) Process. While the Pick and Issue processor will create CI Transactions, they can also be entered manually. The CI Transaction reverses the preencumbrance established by the DH Transaction and also records the expenditure for the consumer and a revenue for the seller.

Responsibility:

Inventory Control

Actions

1. Review the signed Pick and Issue Transactions. Separate into the following categories:

   - Stock Requisitions (DH) Transactions
   - Transfer Requests (TQ) Transactions

2. Select Stock Requisitions. Note the referencing DH number along with the corresponding CI number.

3. Access through the Fi-Net Suspense File (SUSF) the CI Transaction referenced on the Pick and Issue Ticket.

4. Review the CI to verify that the quantity issued for each line item is equal to the quantity released. If so, no changes are necessary.

5. If the quantities are not equal this usually would mean that a manual adjustment has been made to the Pick and Issue Ticket at the time the transaction was used to fill the order. Enter the correct/adjusted amount in the ‘current issue’ field of the CI Transaction to reflect the actual quantity issued.

6. If the transaction is invalid, access the CI Transaction and cancel by clicking on the "Cancellation" radio button.

7. Changes made to issue quantities due to a difference between shelf and book should be handled as follows:

    a. Enter an Inventory Adjustment (IA) Transaction to adjust the book quantities to match the shelf.

    b. For those items requested but not available, complete and input a DH Transaction for items to be expended when received. Complete and input a TQ Transaction for those items to be transferred to another warehouse. These items will be processed through Back Order Servicing.

Stock Return (DU) UDOT 05E-2.9

Note: To outline the procedures for performing the Stock Return (DU) Process, which includes donated items, returning regular items to stock after having been issued/expended, and purchasing finished stockpiles in process items and other agency internally-manufactured items.

The DU Transaction will be used to return stock items to inventory after having been issued/expended, to purchase donated items into inventory stock, and to purchase in process stockpile and internally manufactured items into inventory stock.

Returns to Stock - Consumers are allowed to return previously issued items. The return of items is recorded in FI-NET using a Stock Return (DU) Transaction. (NOTE: for material which has been transferred from one warehouse to another, the most appropriate way to return this material is to coordinate it with the warehouse receiving the material and ask them to perform a Transfer Request (TQ) Transaction, or a Transfer Issue (TI) Transaction.) Returns to stock should reference the issuing transaction. The DU Transaction allows for referencing a previous transaction and should be used to reference the issuing transaction. If this is not possible, the DU Transaction will process without a referencing transaction.

In-Process Stockpiles and Internally Manufactured Items - Stockpile in process inventory items and internally manufactured inventory items share similarities. The materials used to create the finished items may have originally been inventory stock items that were expended to the stockpile or manufacturing process, combined with labor, equipment rental and other items purchased outside of the FI-NET Inventory Control Subsystem, and then returned to inventory stock as a finished product with a different inventory stock item number. The Stock Return (DU) Transaction is the mechanism to return/purchase the finished product into the Fi-Net Inventory Control Subsystem. The Inventory Adjustment Procedure in the General Accounting section of this manual gives instructions on how to complete the process for any outstanding necessary adjustments.

Donated Items - Donated items include items left by a contractor after a UDOT job/project is completed, free use materials that have marketable value, or other items given to the agency by outside entities. If the donated items have a value in excess of the materiality factor set by the Comptroller's Office and are determined to need warehouse inventory control, a Stock Return (DU) Transaction should be prepared to purchase the item into the FI-NET Inventory Control Subsystem. Items that are not usually accounted for in warehouse inventories should be accounted for on the Fixed Assets System.

In-Process Stockpiles/Internally Mfg. Items UDOT 05E-2.10

Note: To outline the procedures for purchasing finished stockpiles in process items and other items that are internally manufactured by the agency into inventory.

Purchases to inventory of in process stockpile items and internally manufactured items will be made using the Stock Return (DU) Transaction. These inventory items and the accounting entries associated with the production of them will be accounted for on the Regional/Divisional level, under the supervision of the Support Services Managers' and/or their designee in the Regions, and the authorized agent for the Divisions. For information on the detailed accounting entries that are associated with the manufacture of these items, refer to the General Accounting policies and procedures section of this manual.

If items are purchased into inventory and issued out on the same day, before nightly cycle processing has occurred to create a new average unit price, and if there is no current average unit price for the items, they must be issued out on an Over the Counter (DE) Transaction at an estimated unit price similar to the cost to manufacture them. (This will require a price override on the DE Transaction.) If not, no cost will be cleared out of the Job Number used to collect the costs, and an IAT Transaction will have to be created to credit the Job Number and charge the activity that used the items. See the General Accounting policies and procedure's section of this manual for information on how to create IAT Transactions.

Responsibility: Regional Accountant, Authorized Agent, or Other Designee

Actions

1. Collect costs of the stockpile in process and internally manufactured items, following General Accounting policies and procedures. Some of the items required to complete the manufacturing process may be residing on FI-NET. These items should be charged out to the Job Number set up for this process on a Stock Requisition (DH)Transaction or on an Over the Counter (DE) Transaction.

2. When items are completed, purchase into FI-NET Inventory by entering a DU Transaction. The DU Transaction contains the number of items purchased, the unit price (which is a culmination of all collected costs), and will allow for the accounting job number where the costs have been collected to be credited. Both the purchase and the accompanying accounting entry to reverse the expenditure created in the manufacture of the items are entered on the same transaction.

Stock Return (DU) UDOT 05E-2.11

Note: To describe the inventory control policies and procedures for performing the Stock Return (DU) Process, which includes returning items to stock after having been issued.

Consumers may return items that are no longer needed or cannot be used, by using the Stock Return (DU) Transaction. For items that were issued in error, they may be returned to the issuing warehouse by modifying the issue transaction. (The issuing transaction must be a Fi-Net transaction.) Efforts should be made to research and credit the original issuing/expenditure transaction.

Consumers should not return items that have no use to the organization. Surplus these items according to the guidelines from State Surplus Property. (Note: For items which no longer have any use and should be sent to Surplus Property, the consumer should follow State Surplus Policies and Procedures.)

(The DU Transaction can only be accessed on the open reference tables if it references a previous issue transaction. It can only be modified, therefore, if a previous referenced transaction is still on the open tables. Care should be taken when entering DU Transactions so that new transactions do not have to be created to offset incorrectly entered transactions. Accounting entries resulting from accepted DU Transactions can be viewed on the Online General Ledger (OLGL) Table.)

Responsibility:

Consumer/Regional Warehouse

Actions

1. Determine that the material is no longer useful at the present location or for the original purpose.

2. Complete a Stock Return form including the original issue transaction number, if possible. Send a copy to the Regional Accountant/Division Designee for review. (Retain the original to be used as a signature document during the transport of the material).

   OR

   Contact the Regional Accountant/Division Designee to discuss the situation/options.

Responsibility: Regional Accountant/Division Designee

3. Determine if the material needs to be returned to the Fi-Net Inventory Control Subsystem by means of a Stock Return (DU) Transaction or whether the items need to be sent to Surplus Property through the Central Warehouse.

4. Notify the consumer of the determination and direct the consumer to transport the item to the warehouse where it has been returned/purchased to the system.

OR

Notify the consumer that the items have been determined to be obsolete and that Procurement has been notified and the item will be sent to Surplus Property. Coordinate the transport of the item to the Central Warehouse. (Note: For material to be sent to Surplus Property, refer to the State Surplus Rules and Regulations.)

Responsibility: Consumer/Regional Warehouse

5. Transport the material to the warehouse where it is to be stored (the same warehouse as where it resides on the Fi-Net Inventory Control Subsystem).

OR

Transport the material to the Regional warehouse.

6. Obtain proper signatures on the original Stock Return (DU) document.

Responsibility: Regional Accountant/Division Designee

7. If the Over the Counter (DE) or Stock Requisition (DH) Transaction that originally issued the item is known, enter a DU Transaction referencing the DE or DH Transaction in the Reference Transaction ID field. If the issuing DE or DH Transaction number is not known, or is no longer on the Open Stock Requisition Tables, value the returned items using either average unit price or other valuation methods as described in the General Accounting policies and procedures section of this manual. A cost override will be required to return the items to stock at other than the Unit Cost at the issuing warehouse.

Responsibility: Regional Warehouse

8. Place the returned material in the appropriate location. Notify Procurement to establish/adjust table entries.

Donated Items UDOT 05E-2.12

Note: To outline the circumstances under which donated items should be brought into FI-NET Inventory Control.

Donated items that have a value in excess of the materiality factor set by the Comptroller's Office and are determined to need inventory control under warehouse supervision, are to be purchased into FI-NET at fair market value using a Stock Return (DU) Transaction. (For the materiality factor and the determination of fair market value, and any questions as to whether items should be brought under FI-NET Inventory Control, refer to the General Accounting policies and procedures' and/or contact the Comptroller's office for further clarification. Some non warehoused items should be accounted for under the Fixed Asset System.) Donated inventory items and the accounting entries associated with their purchase into FI-NET will be accounted for on the Regional/Divisional level, under the supervision of the Support Services Managers in the Regions, the authorized agents in the Divisions, and/or their designees.

Other donated items that do not require inventory control but that have, a marketable value should be accounted for under the General Accounting policies and procedures.

Responsibility: Regional Accountant, Authorized Agent, or Other Designee

Actions

1. Determine fair market value of the items to be brought into FI-NET, following General Accounting policies and procedures.

2. Purchase into FI-NET at fair market value by entering a DU Transaction. (Refer to Tables and Transactions Section of this manual for instructions on how to enter a DU Transaction.) (Refer to the General Accounting policies and procedures to ensure that the correct accounting entries for donated items are entered.)

3. Notify Regional warehouse or warehouse were that items are to be returned/purchased, as per the DU Transaction. Contact Procurement to establish system table entries. Coordinate transport of material.

Inventory Adjustments UDOT 05E-2.13

Note: To outline the procedures for adjusting inventory quantities and unit costs by using a Physical Inventory Adjustment (IA) Transaction.

Adjustments made to FI-NET Inventory Control quantities and unit cost with an Inventory Adjustment (IA) Transaction and the associated accounting entries will be accounted for on the Central level under the supervision of the Procurement Manager and/or his designee, and on the Regional level under the supervision of the Support Services Managers' and/or their designees. IA Transactions will be used to adjust inventory quantities when adjustments are deemed necessary and other transactions may not be adjusted and/or modified to accommodate the change. Whenever an IA Transaction is entered and the cost or price of the goods changes, a corresponding Inter-Agency Transfer (IAT) Transaction must also be entered. For information on the detailed accounting entries that are associated with the IA Transaction, refer to the General Accounting policies and procedures section of this manual.

Responsibility: Warehouse Supervisor, Inventory Control, Regional Accountant

Actions

1. Determine the need for adjustment to FI-NET inventory quantity or unit cost. Fill out an Inventory Adjustment Form (IA) with the appropriate information, including any explanation. FAX, mail, or hand-carry the form to the Procurement/Support Services Manager's designee.

Responsibility: Procurement Manager, Support Services Manager, or Designee

2. Review. Enter an IA Transaction (refer to the IA Transaction section of this manual for detailed instructions on how to complete the entry), including the appropriate adjustment code (refer to the Adjustment Code (ADJC) Table for a list of available codes).

3. If dollar amounts are affected, a corresponding IAT Transaction (refer to the IAT Transaction procedure for instructions on how to enter an IAT Transaction) must be entered also. (Refer to the General Accounting policies and procedure's section of this manual for appropriate accounting entries.)

Replenishment Procedures UDOT 05E-2.14

Note: To describe the inventory control policies and procedures for performing inventory replenishment. This includes interfacing with the FI-NET Extended Purchasing Subsystem (EPS) to allow proper accounting transactions to occur.

Agencies monitor their inventory usage to ensure they have sufficient quantities of inventories on hand to support their operations. Agencies monitor their inventory usage in order to ensure that adequate quantities are on hand to support their operations. FI-NET uses the following tables to monitor inventory usage:

- ABC Parameter (ABCP) Table - This table is used to set parameters such as forecast method, safety stock factor, and lead time adjustment.
- Inventory Master (INVN) Table - This table provides information such as quantities available, quantities ordered, and quantities back ordered.
- Inventory (2 of 2)(INV2) Table - This table provides information such as previous usage, forecasted usage, lead times, order up to quantity, safety stock quantity, reorder quantity and reorder level.

As often as required, the Inventory Control System will run a batch program to generate the Replenishment Review Report (IN91), which identifies items that have reached their reorder quantities and places record on the Inventory Replenishment (IREP) Table in either P.G., RX or TQ format. It uses the following formula to determine items to be ordered when:

Quantity on Hand + Quantity on Order - Quantity Reserved - Quantity Released - Quantity Back Ordered < Reorder Level

When this condition exists, the item is placed on the IN91 Report.

The agency reviews the replenishment quantities on the report, makes any corrections using the IREP Table, and enters the appropriate order transaction, i.e., Price Agreement (P.G.) Transaction, Requisition (RX) Transaction, or Transfer Request (TQ) Transaction. For RX orders that are less than $2,500 and do not need DAS-Purchasing involvement, create a Decentralized Purchase Order (DD) Transaction. This includes items that are less than $300, because an accepted Receiver (RC) Transaction is the transaction that updates the on hand quantities on the INVN Table, and the RC must reference an accepted extended purchase order transaction (DD, P.G., or PC). During the nightly cycle, the Inventory Replenishment (INR2) program is run. This program creates the P.G., TQ or RX Transactions identified/selected above in the IREP Table. When the P.G., TQ or RX transactions are accepted, one of the following actions can occur:

- P.G. - The vendor can be contacted and an order placed.
- TQ - The transfer request is sent to the warehouse where the goods are generally ordered.
- RX - The RX will be placed on the Suspense File for approval by UDOT Procurement.

Responsibility: FI-NET Operations

Actions

1. Run the Inventory Replenishment Report (IN91).

Responsibility: Inventory Control Technician

2. Review the IN91 Report and determine the desired transaction type (PG, TQ, DD or RX).

3. Obtain verbal approval from Central Inventory Control to create DD Transactions for those items that have a dollar value below $2,500 that are not under contract or available from the Central Warehouse, or that need to be replenished into the Central Warehouse. According to delegation levels, obtain verbal solicitations from vendors offering the item that needs to be replenished. Awards purchase according to DAS-Purchasing Policies and Procedures. Refer to the FI-NET Purchasing Policies and Procedures for further information. Obtain electronic approval and process the DD Transaction and, as required, a corresponding Phone Bid Quote (QUOT) Table entry. Refer to the Decentralized Purchase Order (DD) Transaction section of this manual for instructions on how to enter a DD Transaction, and the Phone Bid Quote (QUOT) Table for instructions on how to enter a Phone Bid Quote Table entry.

4. Access the Inventory Replenishment (IREP) Table and select order(s) verifying or changing the transaction type. Do not select those items that are being replenished by DD Transaction. DD Transactions are created independently from the IREP Table.

Responsibility: FI-NET Operations

5. Run the INR2 program. RX, P.G., or TQ Transactions are created during this program run.

Responsibility: DAS-Purchasing/Agency Buyer/Issuing Warehouse

6. During the nightly cycle, selected RXs will be placed on the Suspense File for review by UDOT Procurement. Selected PGs will be placed on the Suspense File and are ready for ordering. Selected TQ will be processed by the local issuing warehouse. Refer to the Transfer Request (TQ) policy section of this manual for information on TQ processing; refer to FI-NET Purchasing Policies and Procedures for information on RX and PD processing.

7. Materials will be delivered by the Contractor/Vendor to the appropriate location. Refer to the Pick and Issue Procedure section of this manual for information on receiving goods from a Transfer Request.

Responsibility: Warehouse Personnel

8. Receive the items and forward the packing slip or pick ticket to Inventory Control.

Responsibility: Inventory Control

9. Process a Receiver (RC) Transaction for the items received (or perform a transfer receipt for items transferred). Refer to this section of the manual for instructions on how to process an RC Transaction. RC Transactions are required for DD orders also.

Reorder Point Process/Set Up UDOT 05E-2.15

To describe the inventory control policies and procedures for performing reorder point calculations and set up processes.

The reorder point level and reorder quantity are calculated by the Reorder Point Calculation (INRO) batch program that is run at the first of each month. (NOTE: FI-NET has the capability of using the Order Up to Amount or the Economic Order Quantity (EOQ) method of inventory ordering. If the EOQ method is used, the INRO program calculates the reorder level and the reorder quantity.)

To support the operations of the agency, it is necessary to establish an agency defined level of service. The reorder point is the level which defines when commodities should be purchased to provide the required service. This procedure is closely related to the replenishment procedure, since only those items which reach the reorder point level will appear on the Replenishment Review Report (IN91). This program incorporates the safety stock levels, the requisition and delivery lead times, the ABC parameters, the ABC lead time adjustments, the forecasted demand, and the designated ordering method. (NOTE: For detailed information about replenishment of inventory items, refer to the Inventory Control Replenishment Procedure.)

Responsibility: Executive Management

Actions

1. Determine the inventory ordering method to be used by the agency. Either the Economic Order Quantity method or the Order Up to Amount method can be used. For information on these two methods, contact the Inventory Control Agency Representative or refer to inventory control management books.

2. Determine the level of service to be provided to the consumer. The safety stock factor is directly related to the level of service provided. The system will allow a safety stock factor from 0 to 4.0. The following table provides information about this relationship:

Level of Service	Safety Stock Factor
50.00%	0.00
78.81%	1.00
84.13%	1.25
94.52%	2.00
97.72%	2.50
99.18%	3.00
99.87%	3.75

3. The safety stock level serves as a buffer for fluctuations in demand. The amount of safety stock maintained is determined by the desired level of service. In other words, the fewer stockouts desired, the higher the safety stock.

The safety stock is calculated as follows:

$SS = SSF \times MAD$

Where

SS = Safety Stock
SSF = Safety Stock Factor (This is a parameter defined in the ABCP Table)
MAD = Mean absolute deviation (calculated as the average monthly absolute value deviation of forecasted demand from actual demand for each of the past 12 periods).

Responsibility: System Maintained

4. At the end of each month, the lead time calculation (INLT) batch program is run and calculates lead times as follows:

   a. The requisition lead time is established by the system from previous orders. For purchases made from vendors it is the difference from the date the requisition is entered to the date the purchase order is entered. For items that are transferred, the requisition lead time is calculated as the date the Transfer Request is entered to the date the Transfer Issue is entered.

   b. Vendor lead time is established by the system from previous orders. For purchases made from vendors, it is the difference from the date the purchase order is entered to the date the purchase order Receiver is entered. For items that are transferred, the vendor lead time is calculated as the date the Transfer Issue is entered to the date the Transfer Receipt is entered.

Responsibility: Inventory Control

5. ABC lead time adjustment is the number of days to be added to the requisition and vendor lead time to ensure that sufficient lead time is provided.

6. There are three methods in the inventory control system to forecast demand as follows:

   a. Manual - Defined as the ability of inventory managers to set the forecast levels as they determine necessary. This is maintained on the Inventory (2 of 2) (INV2) Table, and is performed manually for each item. It will affect the reorder amount calculations and related reports. (NOTE: Other methods for loading data, such as establishing a database in a PC and downloading information, then calculating forecast levels then uploading the information can be used.)

b. Non-Seasonal - Defined as the moving monthly average of the actual demand in the previous stipulated months. The number of previous months to be used in the calculations is specified in the ABCP Table. The actual demand history is retrieved from the INV2 Table.

c. Seasonal - Defined as the method of forecasting to consider usage that fluctuates throughout the year. This seasonal factor is the ratio of the usage for a given month versus the total usage for the year. Once this calculation is applied, months with higher usage during the previous year(s) will cause the reorder level to increase during those months, while months with lower usage will cause reorder levels to decrease during those months. This calculation must consider a minimum of 12 months and can consider a maximum of 24 months.

7. The reorder level is the point at which reorder consideration should occur and is the focus of some reports, including the Inventory Management Report (IN40) and the Replenishment Review Report (IN91).

Reorder level is determined primarily by forecasted demand, average order lead time, and safety stock requirements. The calculation is:

$$RL = (AU \times ALT) + SS$$

Where:
- RL = Reorder Level
- AU = Average Usage in Days (forecast ÷ 30)
- ALT = Average Lead Time in Days (obtained from the INVN Table), and is equal to vendor lead time plus requisition lead time plus lead time adjustment.
- SS = Safety Stock (from INVN Table)

Physical Inventory Reconciliation UDOT 05E-2.16

Note: To outline the inventory control policy and procedures for performing the Physical Inventory Reconciliation Process. This procedure balances the inventory system and the shelf (actual). In addition, the process values inventory for financial reporting requirements.

The Physical Inventory Process will be scheduled and coordinated through agencies in conjunction with FI-NET operations. The FI-NET inventory system allows for a cyclical inventory or a yearly inventory process. There will be no activity posting to warehouses or commodities involved in the physical inventory process with an active "frozen as posted" flag on the INV3 Table. All reserved quantities must be moved/disbursed prior to the physical inventory process. The agency specific security will be used to secure against activity posting at a frozen warehouse.

FI-NET will post Transfer Request (TQ) and Stock Requisition (DH) Transactions to a frozen warehouse, thus placing items on reserve that may be a greater quantity than is produced by the "actual count." This will result in a forced system error to the IN70 report during the nightly cycle processing. Transfer Issue (TI) and Transfer Request (TQ) Transactions can be processed for a receiving warehouse which is frozen, thus resulting in updates to on-hand quantity and available quantity.

Physical Inventory is a cooperative effort between the agency, DAS-Finance, and the Utah State Auditor's Office. The counting of material is to begin the first working day of the month, year, or cyclically as determined by the agency. All warehouses are closed until the physical inventory process is completed. Count material is produced and distributed the weekend before counting begins.

The process is initiated by FI-NET operations processing a batch program that reads a parameter table (LDAT) where it specifies commodities and/or warehouses that are to be involved in the process. Those specified receive a flag on the Inventory Maintenance (INV3) Table that is labeled "frozen as posted." Count material is produced and distributed. The count material includes a count sheet to record actual counts, a book quantity report that reflects the Fi-Net Inventory Control Subsystem quantity balances at the time each stock item was "frozen as posted," and a sequential control number sticker to mark stock items that have been counted and recorded. Consumers receive count material and instructions and record actual counts on the count sheets. Verification is performed between system quantities and what the consumer has recorded on the count sheets. Count sheets are then used as input documents to enter actual quantities to FI-NET inventory. The Physical Inventory Discrepancy Report (IN70) is produced to reflect variances and to use as a tool for adjusting entries. The IN70 report may be produced multiple times. The Inventory Reconciliation Posting (INRP) program posts actual quantities to the FI-NET inventory system.

Responsibility: Physical Inventory Supervisors

Actions

1. Coordinate count schedules with the State Auditor's office

2. Organize and verify that all costs/data has been received, input and processed into the Fi-Net Inventory Control Subsystem.

3. Ensure that all warehouse locations are orderly and clean.

4. Make adjusting entries to correct all inventory exception reports.

5. Acquire items required to measure, calibrate and record during the physical inventory process.

6. Ensure Warehouse Supervisors/Warehouse Managers will not be involved in the physical inventory process of counting and recording at the warehouses they manage.

7. Segregate and clearly mark all non inventory items.

Responsibility: Inventory Control

8. Schedule or produce inventory system exception/edit reports for warehouse personnel.

9. Edit Inventory Control System file maintenance reports.

10. Schedule and coordinate data entry requirements and time schedules with warehouses and other system interfaces.

11. Coordinate with FI-NET operations the schedule for closing the Inventory Control Subsystem security, running the INF2 batch program and the Inventory Freeze Report.

Responsibility: FI-NET Control Group

12. Change the LDAT parameter table to select one of the three methods of freezing inventory items. The automated freeze process will select and freeze items by:

    - warehouse range
    - bin range
    - stock group

13. Run Inventory Freeze Program (INF2). The INF2 process will update the INVF Table with a record for each frozen item, and the Inventory Freeze Report (INF2) will be produced.

Responsibility: Inventory Control

14. Run the Mainframe batch programs that produce the count sheets, book quantity report and the corresponding control number stickers.

15. Sort/distribute the physical inventory counts material. Document the range of control numbers issued to each warehouse.

Responsibility: Physical Inventory Supervisors

16. Close all warehouses to normal operation until after physical inventory is completed. Emergency issues are to be kept to a minimum and deliveries will be set aside until after physical inventory is completed.

17. Organize inventory count teams and control desk operations. Each count team will consist of a counter and a recorder.

18. Verify, sort and distribute the count sheets, book quantity report (control desk team members), and corresponding control number stickers. Document the range of control numbers issued, so that they can be verified later. The sort sequence on the physical inventory material is: warehouse, primary bin number, stock item number.

19. All motor fuels are to be dipped at the beginning of physical inventory.

Responsibility: Control Desk

20. Collect any data entry transactions reflecting issues that have occurred since the physical inventory process began or that missed the schedule for input before the inventory system closed.

21. Using a red pen, make adjusting entries to the book quantity report.

    a. To assist the control desk in determining whether an adjustment is added or subtracted from a count, all outstanding transactions should be labeled 'Before the Count' or 'After the Count'.

    b. Any quantities listed on the T-91 Maintenance exception report or inventory transactions that are not in an ‘accepted’ status on the Suspense File (SUSF) should be added to the physical count.

22. Prepare a log sheet. Issue each count team a packet, consisting of the following:

    a. Count Sheets.

    b. Corresponding control number stickers.

c. A blank form to record items on the shelf that are not represented on the reports.

d. Some blank control numbers stickers, pencils, and a clip board.

e. Log the range of control numbers, the date and time issued, and the names of the count team for each packet issued.

Responsibility: Count Team

23. Print in pencil the date, and the name of the counter and recorder on all sheets within the count team packet.

24. Locate and begin counting the first item on the count sheet.

Responsibility: Team Counter

25. Perform a physical count of the stock items. Verify the description represented on the count sheet and ensure that the stock item is counted in the proper unit of measure.

Stockpiles:
When measuring stockpiles, the count sheets, control number stickers and book quantity report are used. Compare the actual count with the quantity represented on the book quantity report. If there is a 15% variance or less, the quantity on the book quantity report is recorded on the count sheet as the "Actual Quantity."

Bulk Motor Fuels and Oils:
Motor fuel and oils should be measured at the beginning the physical inventory. If the measured quantity is within + or - 5% of the system quantity represented on the book quantity report then record the book quantity on the count sheet as the "Actual Quantity."

Responsibility: Team Recorder

26. Verify that the description and unit of measure of the stock item counted is accurately represented on the count sheet. With a pencil, record the quantity counted as the "Actual Quantity."

Inventory Stickers - The corresponding control sticker will be placed on the stock item in an easy to see place after the stock item has been counted and recorded. The sticker will help identify during the "walk through" any stock items which have been overlooked and still need to be counted.

27. A form with blank lines and blank control stickers are available to be used to list any

items physically on the shelf, but not represented on the count material. For items not represented on the count material, record on the form any information available, such as: Stock Item number, description, the unit of a measure, and primary bin. Log the physically counted quantity. Write an identifying control number on a blank sticker and place on the stock item.

Responsibility: Count Team

28. Once all items have been counted, return the packet to the Control Desk.

Responsibility: Control Desk

29. Log the date and time returned. Issue a new first count packet or issue a recount packet. Before a recount packet is issued, verify that it is being issued to a different count team than the first count. Log range of control numbers, date, time issued and names of count teams.

30. Compare the quantities counted on the count sheet against the corresponding system quantities represented on the book quantity report. If there are quantity differences, highlight the space to the right of the "Actual Quantity" field.

31. Send the count packet back out for a recount of the highlighted stock items with a different count team.

    Using the same procedure as above, a set of count sheets may or may not, at the discretion of the control desk, be sent out for a third count.

Responsibility: Physical Inventory Supervisors

32. Verify that all count sheets have been completed and returned. Verify that the range of control numbers issued to your warehouses is intact and sorted in numerical order. Submit to Inventory Control on or before the Inventory Control established due dates.

Responsibility: Inventory Control

33. Log returning count material. Verify, using control numbers, that all count material produced and issued have been returned. Add together "actual" count sheet quantities per warehouse to arrive at a data entry control count.

34. Log and data enter to the Inventory Freeze (INVF) Table the physical counts per stock item per warehouse. Verify control count. If there are discrepancies, a mainframe batch report of what was data entered can be produced for comparison. Make adjusting entries were needed.

35. Schedule and coordinate with FI-NET operations to produce the Inventory Discrepancy Report (IN70). Distribute for review.

Responsibility: Physical Inventory Supervisors

36. Review Inventory Discrepancy Report (IN70). Notify Inventory Control if there are or are not adjustments to be made.

Responsibility: Inventory Control

37. Enter any changes or adjustments to the IN70 report in the Inventory Freeze Table (INVF). (The IN70 report can be produced multiple times to allow for multiple adjusting entries/passes.)

38. Schedule/coordinate with Finance to produce the Inventory Reconciliation Posting (INRP). Adjustments to the FI-NET Inventory Control Subsystem are automatically performed during this step.

Responsibility: FI-NET Control Group

39. Produce the Inventory Reconciliation Posting (INRP).

Surplus/Obsolete Stock Items UDOT 05E-2.17

Note: To describe the inventory control policies and procedures for performing the Surplus/Obsolete Stock Items process. To review stock items periodically to ensure that the items stocked in the warehouses are those necessary to meet the consumers' needs.

It is recommended that the Surplus/Obsolete Stock Items process be performed twice a year, with one occurrence performed just prior to the Physical Inventory process. A designated agency representative with an authorized signature will need to coordinate between state agencies' and/or the vendors. The process and preparation of all paperwork are coordinated through UDOT Central Procurement.

Furnish to the consumer a report called the "Last Activity" report. This report lists any stock items where the inventory system has not recorded an activity within a specified date parameter, e.g., 18 months. This report is sorted and distributed to the warehouses for review and input. Ongoing consumer input is solicited and reviewed for stock items that may meet the criteria for surplus/obsolete processing. A change in stock item specifications or a change to the way an agency does business may account for spontaneous review.

Responsibility:

Inventory Control

Actions

1. Identify low turnover and obsolete stock items by following the procedures below

   a. Provide each warehouse with the "Last Activity" report of stock items with no activity for one year or more.

   b. Solicit periodic input from consumers.

   c. Note information provided during normal operations.

2. Prepare a memo to accompany the "Last Activity Report" requesting that the warehouse personnel determine if the low turnover items are obsolete or if they will be used in the coming year. Instruct them how to make that determination and the processes that follow. Provide instructions on paperwork and contact personnel once the determination is made.

3. Circulate a master list of obsolete stock items for review. Coordinate necessary transfers.

Responsibility: Warehouse Personnel

4. Prepare a Property Survey form that reflects what has been determined to be obsolete/surplus. Submit to Inventory Control.

5. Remove from the shelf and prepare for shipping to the Central Warehouse or direct to State Surplus Property.

Responsibility: Inventory Control

6. Review Property Survey forms. Compile like items.

7. Attempt to return like stock items to the originating vendor for credit or cash.

8. Attempt to locate other internal users of large dollar items for transfer or purchase.

9. Prepare all Over the Counter (DE) forms to expense/issue the items from the Fi-Net Inventory Control Subsystem. Prepare form SP-1 for State Surplus Property. Distribute where necessary.

10. Coordinate with internal consumers the physical transfer of the stock items to the Central Warehouse or direct to Surplus Property. Send copies of the paperwork to accompany the stock items.

11. Review/coordinate the transfer of stock items with the Central Warehouse Manager.

Responsibility: Central Warehouse

12. Collect the copies of the paperwork as the stock items are received into the Central Warehouse. Send to Inventory Control.

13. Verify that items received are the same as the items listed on the form. Separate items that will be handled differently.

Responsibility: Inventory Control

14. Data enter original paperwork. Coordinate delivery to the vendor or outside agency.

Responsibility: Comptroller's Office

15. Distribute credit to appropriate budgets.

Commodity Code Catalog UDOT 05E-2.18

To outline the policy and procedure to produce and distribute the Commodity Code Catalog. The Commodity Code Catalog assist's consumers in identifying which stock items are available for requisitioning from a warehouse on the FI-NET Inventory Control Subsystem. The Commodity code catalog is produced and distributed to consumers where the information is needed but not available on-line. Warehouse personnel and other key consumers may also request this information as needed. Catalog reruns are suggested every two years or until all consumers are equipped with on-line access to FI-NET. Consumers are notified through a memo of any commodity code updates/changes that are made between runs.

The Commodity Code Catalog is produced to assist those users where on-line access to the inventory system is not available. The catalog lists information that consumers will need to place an order through an agency warehouse. Some of the information listed will include the commodity code number, description, the unit of issue, and approximate Average Unit Price. The catalog is produced through a mainframe batch program which pulls the information from the FI-NET Inventory Control Subsystem. An implementation Commodity Code Catalog will be produced to assist consumers through the conversion. The format will be the same as the current catalog and a new field will be added that will support the new corresponding commodity code number from the NIGP commodity code listing. This catalog is to act as an interface between the old and new systems until consumers have been exposed and are familiar with the NIGP Commodity Code environment.

Responsibility: Inventory Control

1. Decide to rerun/update the Commodity Code Catalog.

2. Solicit input from consumers as to the number of copies needed.

3. Submit the Mainframe batch program to produce the catalog master copy. Route print to the appropriate laser printer.

4. Deliver catalog master to a printing service for reproduction.

5. Obtain the master copy and the reproduced copies from the printing service. Separate by Region based on the input gathered in item number 2.

6. Write correspondence with instructions regarding the use, content and distribution of the catalog.

7. Mail and/or deliver correspondence and catalog to the consumer.